

<u>Fiscal Year</u>	<u>Annual Expenditures</u>	<u>% Change</u>
1998-99	58,341,000	7.9%
1999-00	59,846,000	2.6%
2000-01	62,057,000	3.7%
2001-02	67,281,000	8.4%
2002-03 *	68,242,000	1.4%
2003-04 **	69,120,000	1.3%
2004-05	73,582,000	6.5%
2005-06	80,181,000	9.0%
2006-07	83,843,000	4.6%
2007-08	87,332,000	4.2%

* Estimated

** Proposed

SALARIES AND BENEFITS

The Salaries and Benefits category makes up the largest component of General Operating Fund expenditures and represents all personnel-related costs. There are currently four union-represented groups in the City: the Police Officers Association (POA sworn and nonsworn), the Mountain View Professional Firefighters Union (IAFF No. 1965) and Service Employees International Union (SEIU No. 715). The remaining employees are Management, Professional and certain Front-Line positions. The outcome of negotiations with each unit is a major factor in salary and benefit costs.

CATEGORIES

- Salaries
- Wages
- Overtime
- Other pays (e.g., holiday-in-lieu, out-of-class, etc.)
- Medical/dental premiums
- Public Employees Retirement System (PERS)
- Other benefits (e.g., long-term disability, FICA, etc.)
- Workers' Compensation

HISTORY

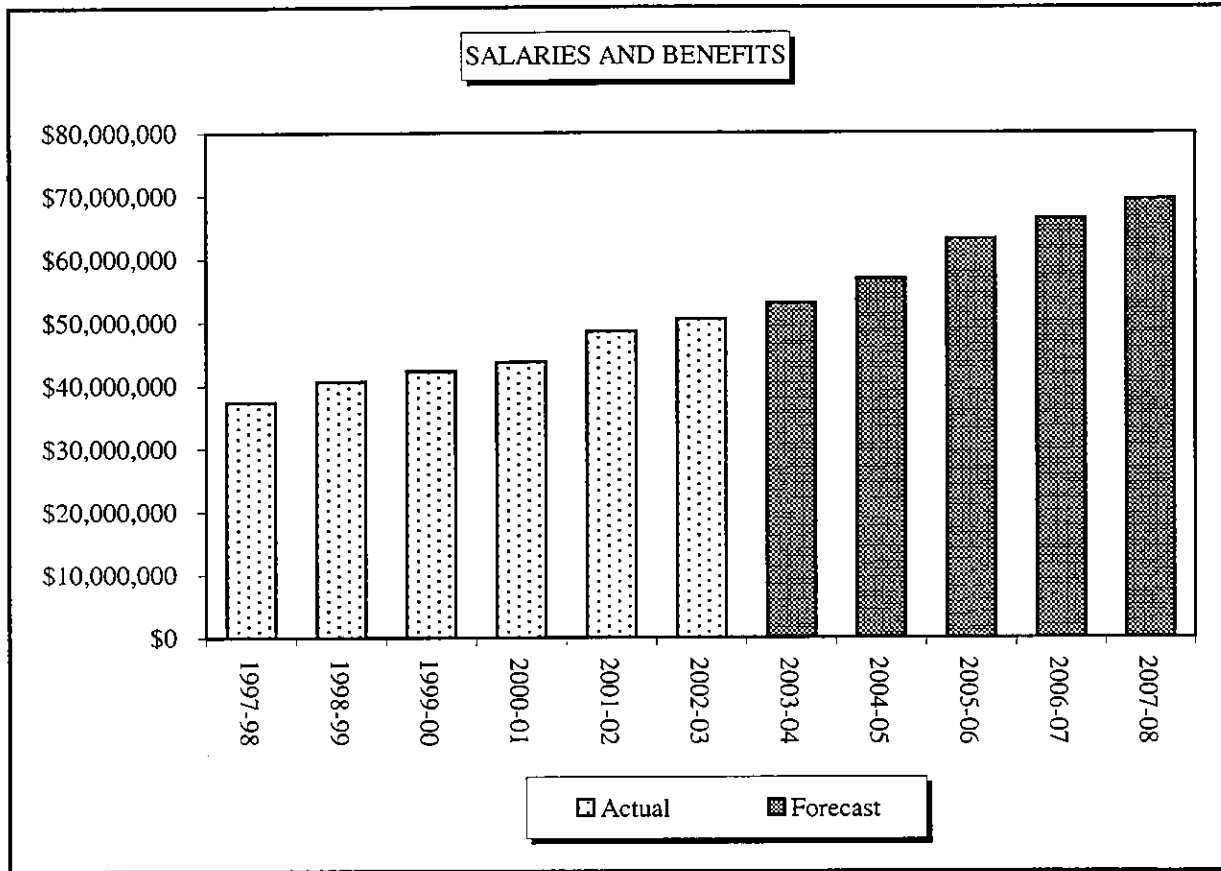
During the recession in the early 1990s, the City experienced retrenchment, eliminating a total of 31.5 General Fund positions. Over the next several fiscal years, the Council approved service enhancements in the highest-priority areas. However, in Fiscal Year 2002-03, in response to the initial signs of the economic slowdown, Council eliminated 4.0 positions and unfunded the equivalent of 16.08 positions. During the current fiscal year, the economy continued to erode and the partial hiring freeze implemented in January 2001 was expanded.

FORECAST

As discussed during budget study sessions, the Proposed Budget includes a total elimination of 42.51 full-time equivalent General Operating Fund positions (including the positions unfunded in Fiscal Year 2002-03).

The forecast also includes cost-of-living adjustments agreed to in the current IAFF No. 1965 and the POA sworn and nonsworn Memorandums of Understanding (MOU). In addition, as agreed to in the Fiscal Year 2002-03 compensation resolution, Police management are budgeted to receive cost-of-living and equity increases, all front-line employees are budgeted to receive the appropriate step increase and a minimal amount is included for merit increases. There is no cost-of-living increase recommended for unrepresented front-line and management employees and no cost-of-living included for SEIU. Negotiations with SEIU are currently in progress and will continue to be discussed with Council this month.

Also, any other anticipated benefit modifications are reflected in the Fiscal Year 2003-04 Proposed Budget. Public Employees Retirement System (PERS) rates for Fiscal Year 2003-04 reflect the normal cost rate calculated by PERS in the most recent actuarial. The 2005-06 fiscal year includes a 93.1 percent increase in PERS Miscellaneous rates and the two remaining forecast years reflect incremental increases, reflecting the impact of the substantial losses in the PERS portfolio. The PERS rates for Safety employees increases 51.3 percent in Fiscal Year 2004-05 and an additional 38.6 percent in Fiscal Year 2005-06, reflecting the investment losses and the enhanced retirement benefit granted to Fire Safety in July 2001 and Police Safety in July 2002. Both of these groups will be sharing in the increased cost. The remaining benefits, primarily employee insurance coverages, are included in the forecast with projected inflationary increases.



<u>Fiscal Year</u>	<u>Annual Expenditures</u>	<u>% Change</u>
1998-99	40,714,000	8.8%
1999-00	42,394,000	4.1%
2000-01	43,838,000	3.4%
2001-02	48,659,000	11.0%
2002-03 *	50,553,000	3.9%
2003-04 **	53,008,000	4.9%
2004-05	56,977,000	7.5%
2005-06	63,160,000	10.9%
2006-07	66,422,000	5.2%
2007-08	69,496,000	4.6%

* Estimated

** Proposed

SERVICES AND SUPPLIES

The Services and Supplies category makes up the second largest component of General Operating Fund expenditures and represents costs of operations.

CATEGORIES

- Materials and Supplies
- Maintenance and Operations
- Utilities
- Professional/Technical Services
- Training, Conference and Travel
- Miscellaneous Expenditures

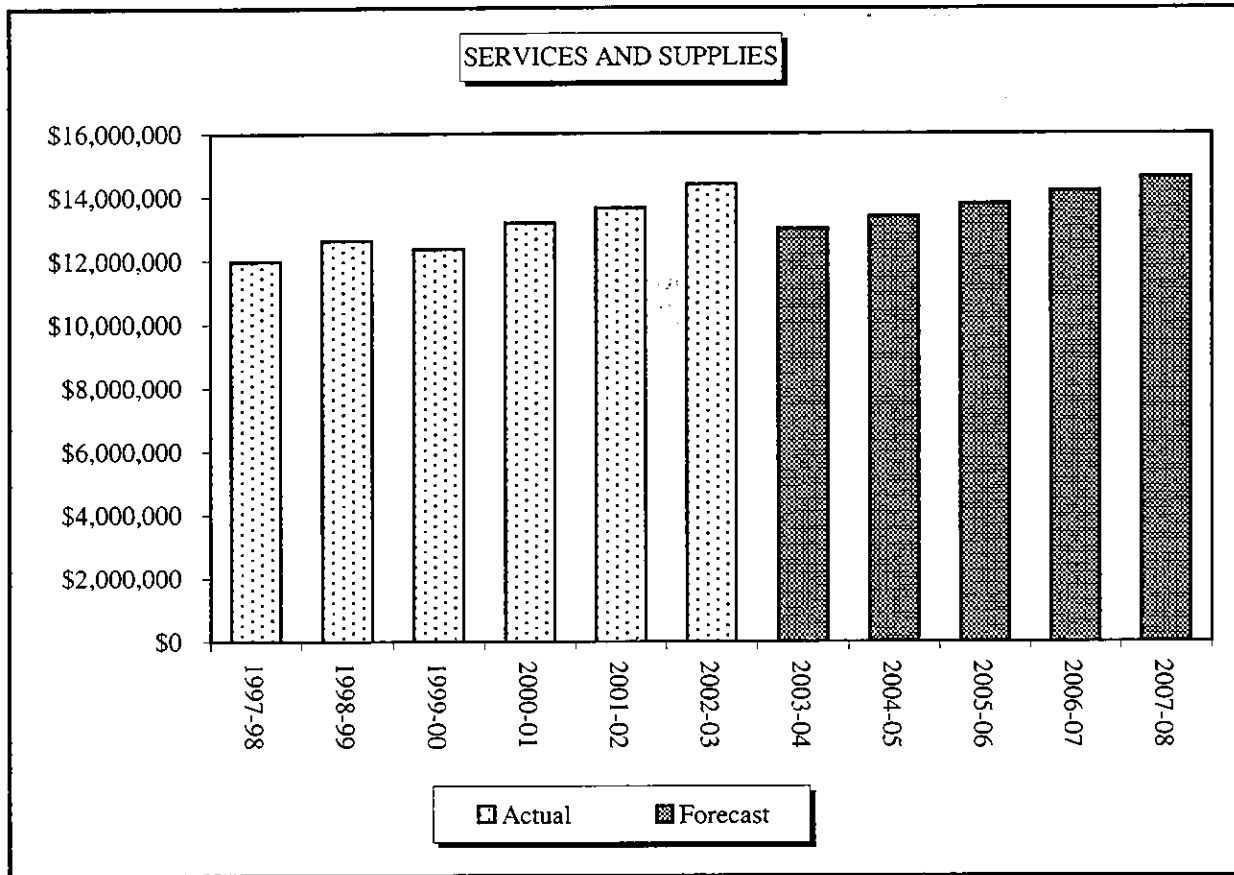
HISTORY

From Fiscal Year 1995-96 through 2001-02, the Council has approved increases (averaging 7.8 percent annually) for the highest-priority programs. In Fiscal Year 2002-03, the Council approved a net 5.0 percent reduction from the prior fiscal year adopted budget.

FORECAST

The Fiscal Year 2003-04 Proposed Budget includes a 10.5 percent reduction in the services and supplies account.

Subsequent forecast years include a 3.0 percent increase. This is based on historical averages, after adjusting for significant programs, and the information gathered from the State and other sources.



<u>Fiscal Year</u>	<u>Annual Expenditures</u>	<u>% Change</u>
1998-99	12,648,000 (1)	5.5%
1999-00	12,377,000	(2.1%)
2000-01	13,194,000	6.6%
2001-02	13,658,000 (1)	3.5%
2002-03 *	14,408,000	5.5%
2003-04 **	13,002,000	(9.8%)
2004-05	13,392,000	3.0%
2005-06	13,793,000	3.0%
2006-07	14,207,000	3.0%
2007-08	14,633,000	3.0%

* Estimated

** Proposed

(1) Includes Interfund Transfers

CAPITAL OUTLAY AND EQUIPMENT REPLACEMENT

The Capital Outlay and Equipment Replacement category represents the new and replacement equipment needs of the City. Although, individually, Capital Outlay is one-time in nature, the City includes this category in the operating budget to reflect capital needs on an annual basis. In addition to the General Operating Fund, the Shoreline Golf Links, Revitalization Authority, Parking District, Shoreline Regional Park Community, Water, Wastewater, Solid Waste Management and Fleet Maintenance Funds make annual contributions based on the equipment used by those operations. Equipment replacement expenditures are transferred to and paid by the Equipment Replacement Reserve Fund.

CATEGORIES

- Capital Outlay
- Equipment Replacement

HISTORY

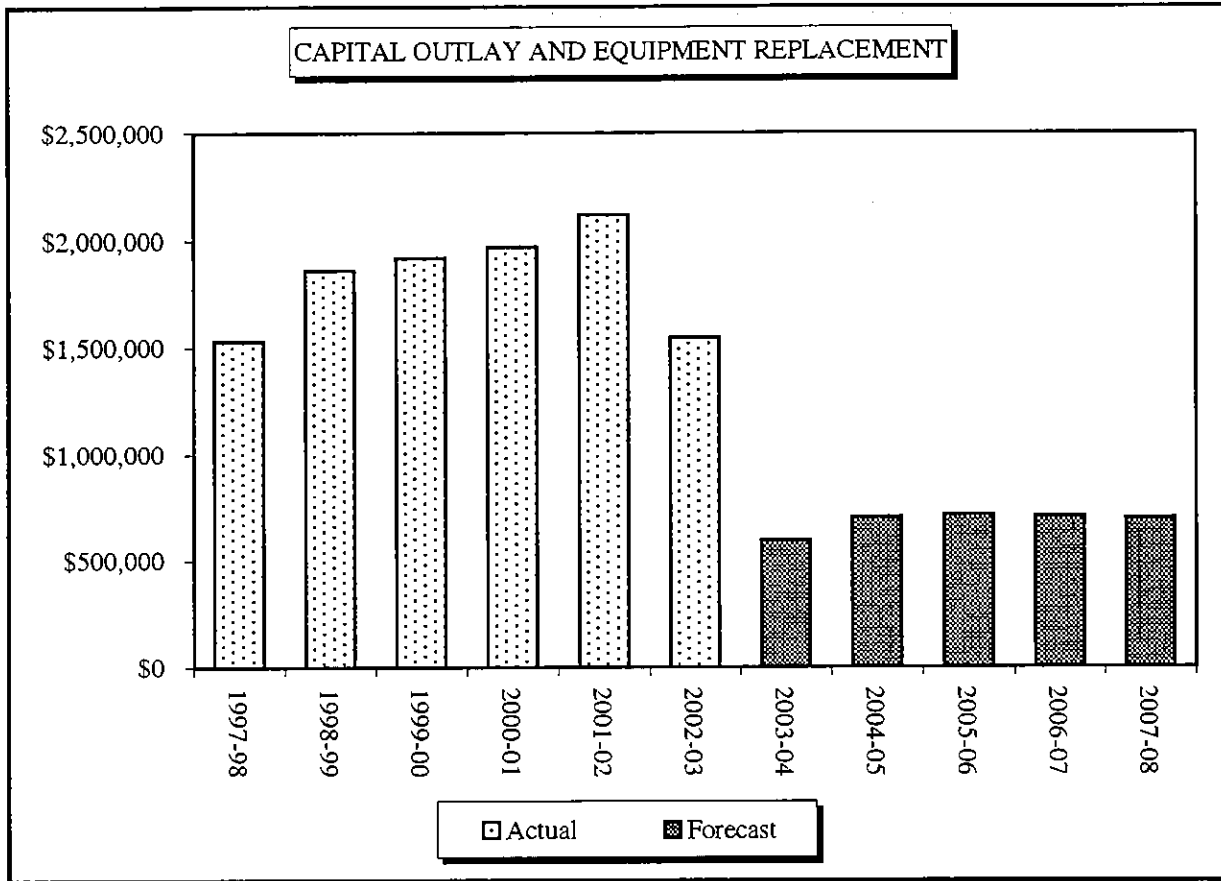
Capital Outlay: Since Fiscal Year 1993-94, the annual expenditures have grown as a result of an increased level of technology and related equipment, and an increase in the number and quality of safety vehicles. The Fiscal Year 2002-03 Adopted Budget included an ongoing \$100,000 reduction to capital outlay.

Equipment Replacement: The Equipment Replacement Reserve was initially funded in Fiscal Year 1992-93 with year-end General Fund carryover. Since that time, the Council has approved transfers to this fund from the year-end General Fund carryover to supplement the General Operating Fund's share of funding. The General Operating Fund increased this funding by \$200,000 annually from Fiscal Year 1994-95 until it was fully funding its share by Fiscal Year 2001-02. The Fiscal Year 2002-03 Adopted Budget included a \$500,000 reduction in the General Operating Fund's contribution to Equipment Replacement. These reductions are temporary in nature and will not be able to be continued into the future.

FORECAST

Capital Outlay: The Fiscal Year 2003-04 proposed budget includes a \$200,000 reduction in capital outlay.

Equipment Replacement: The Fiscal Year 2003-04 Proposed Budget includes an additional \$500,000 reduction in the General Operating Fund's contribution to equipment replacement.



<u>Fiscal Year</u>	<u>Annual Expenditures</u>	<u>% Change</u>
1998-99	1,863,000	21.8%
1999-00	1,919,000	3.0%
2000-01	1,969,000	2.6%
2001-02	2,118,000	7.6%
2002-03 *	1,544,000	(27.1%)
2003-04 **	593,000	(61.6%)
2004-05	702,000	18.4%
2005-06	713,000	1.6%
2006-07	703,000	(1.4%)
2007-08	695,000	(1.1%)

* Estimated

** Proposed

SELF-INSURANCES

The Insurances category represents the General Operating Fund's share of insurance costs in the Internal Service Funds. Special Funds and the Enterprise Funds also contribute to benefit insurances.

CATEGORIES

- General Liability
- Retirees' Health Care
- Vision Care

HISTORY

General Liability: In Fiscal Year 1993-94, the City joined a liability insurance pool (ACCEL) with other select cities for the provision of \$19.5 million coverage in excess of the current \$500,000 self-insured retention (SIR) for total coverage of \$20.0 million. Beginning in Fiscal Year 2001-02, funding of liability insurance was spread to all funds which receive a benefit from this insurance coverage. Previously, the cost was funded entirely by the General Operating Fund.

Retirees' Health Care and Vision Care: The medical premiums for retirees are paid by the Retirees' Health Fund, and vision care claims and reimbursement for safety glasses are paid by the Employee Benefits Fund. The annual cost of both of these programs is allocated to all operating funds. The Fiscal Year 2002-03 adopted budget included funding of the General Operating Fund's share to be paid by investment earnings generated by the reserve balance.

FORECAST

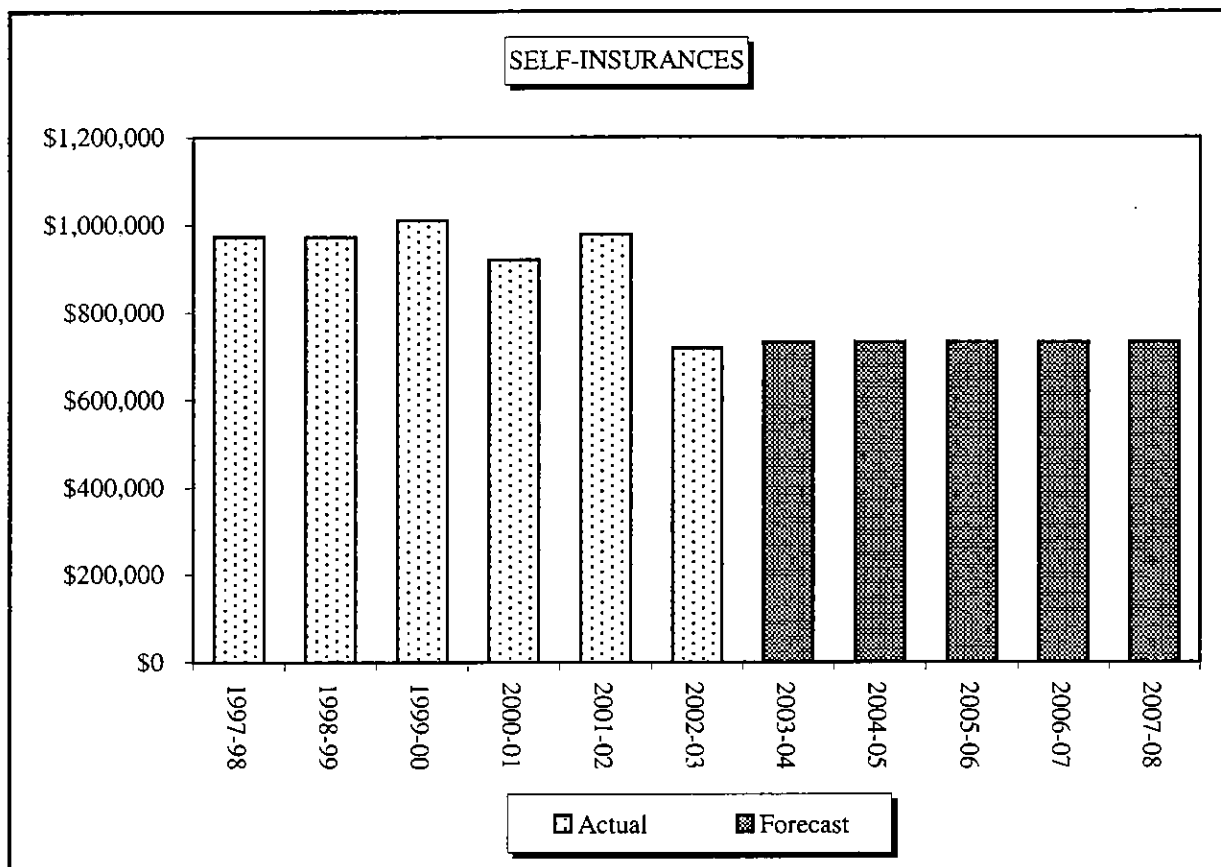
General Liability: The proposed budget includes the allocation of this funding to the General Operating Fund, Shoreline Golf Links, Revitalization Authority, Parking District, Shoreline Regional Park Community, Water, Wastewater and Solid Waste Management Funds. The Fiscal Year 2003-04 through 2007-08 projections are based on maintaining the minimum policy level for reserve balances. Operating expenditures for Fiscal Year 2003-04 have been increased, reflecting the overall higher cost of insurances. Property insurance and liability insurance are both anticipated to increase in the upcoming fiscal year and the cost benefit of earthquake insurance is under evaluation.

Retirees' Health Care: The General Operating Fund's contribution to the Retirees' Health Fund is based on the projected cost of health care premiums for retired

employees and the number of retirees. The number of retirees is calculated to increase by 15 annually through the forecast period. This is based on historical trends and the number of known pending retirements.

To date, the General Operating Fund has contributed the entire reserve balance of the Retirees' Health Fund. The Fiscal Year 2003-04 proposed budget continues the funding of the General Operating Fund's share from investment earnings.

Vision Care: The General Operating Fund's contribution is based on the projected amount required to fund vision coverage for employees and retirees and safety glasses for employees.



<u>Fiscal Year</u>	<u>Annual Expenditures</u>	<u>% Change</u>
1998-99	972,000	(0.1%)
1999-00	1,011,000	4.0%
2000-01	921,000	(8.9%)
2001-02	978,000	6.2%
2002-03 *	719,000	(26.5%)
2003-04 **	733,000	1.9%
2004-05	733,000	0.0%
2005-06	733,000	0.0%
2006-07	733,000	0.0%
2007-08	733,000	0.0%

* Estimated

** Proposed

DEBT SERVICE

The Debt Service category funds the debt obligations of the General Fund to the Debt Service Funds.

CATEGORIES

- City Hall and Center for the Performing Arts

HISTORY

City Hall/Center for the Performing Arts: In Fiscal Year 1988-89, the City issued debt to fund the construction of a new City Hall building and Center for the Performing Arts. The City refinanced this debt in Fiscal Year 1992-93, reducing annual debt service payments an average of \$230,000 and a total savings of approximately \$5.5 million over the life of the debt.

The Council approved the allocation of \$5.0 million from the Fiscal Year 1999-2000 General Fund carryover and \$5.0 million from the Fiscal Year 2000-01 carryover to call a portion of the outstanding General Fund bonds. The \$10.0 million bond call and refinancing completed in August 2001 reduced the ongoing General Operating Fund debt service obligation by approximately \$1.1 million annually.

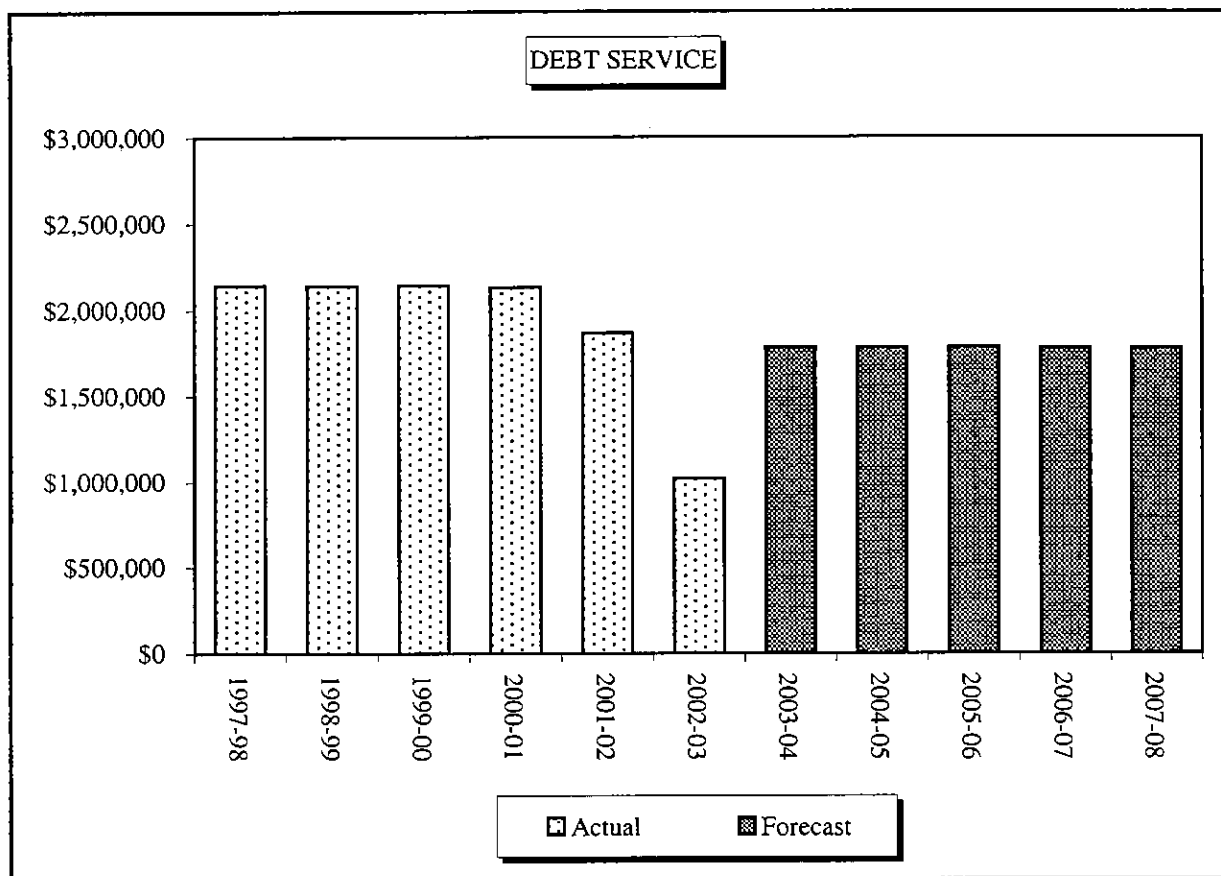
FORECAST

City Hall/Center for the Performing Arts:

The forecast period reflects the scheduled debt service payments.

Revitalization 1995 COPs: In accordance with the bond covenants, the General Operating Fund is required to appropriate the debt service payments for this issue. The funds will be transferred from the Revitalization Authority Fund to the General Operating Fund. As long as the Revitalization Authority can continue to meet the obligation, there is no financial impact to the General Operating Fund.

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<u>Fiscal Year</u>	<u>Annual Expenditures</u>	<u>% Change</u>
1998-99	2,144,000	(0.2%)
1999-00	2,145,000	0.0%
2000-01	2,135,000	(0.5%)
2001-02	1,868,000	(12.5%)
2002-03 *	1,018,000	(45.5%)
2003-04 **	1,784,000	75.2%
2004-05	1,778,000	(0.3%)
2005-06	1,782,000	0.2%
2006-07	1,778,000	(0.2%)
2007-08	1,775,000	(0.2%)

* Estimated

** Proposed